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SUBJECT: URUGUAY'S ECONOMY MINISTER: MUJICA AND ASTORI ARE
LIKE-MINDED ON THE ECONOMY

Classified By: Charge d'Affaires Robin H. Matthewman
for reasons 1.4 (B) and (D)

¶11. (C) SUMMARY: Minister of Economy Alvaro Garcia told the charge September 3 that "no question" should remain that ruling Frente Amplio coalition Presidential candidate Jose Mujica and his running mate Danilo Astori "are on the same page" on Economic policy. Garcia explained that the Frente Amplio (FA) understands that to effect social change, a strong economy is needed to provide government revenues. The Minister also shared his thoughts on developing capital markets in Uruguay ahead of public/private policy strategy session planned the next day. He discussed his planned September 14 trip to Washington to accompany President Vazquez. END SUMMARY

MUJICA HAS SETTLED ANY DOUBTS SURROUNDING HIS ECONOMIC POLICY

¶12. (C) Starting off with the day's news about Moody's cautioning investors that a Mujica Presidency could involve a move toward populism, Garcia said he is convinced that Mujica and Astori are on the same page on economic policy. He called the perceived risk of Mujica following the policies of Bolivia or Ecuador "unrealistic," and said Mujica has made it clear that President Lula's leadership in Brazil would be his model. Mujica has repeatedly deferred economic issues to his running mate Danil Astori, who is well regarded internationally and who is perceived as a steady hand on the economic tiller, and Garcia commented that their public interaction seemed to confirm this to him. Garcia questioned the sincerity of the opposition National Party's invocation of Chile as an economic model. NOTE: Opposition candidate Luis Lacalle was on a campaign visit to Chile when the charge met Garcia. END NOTE. He argued that the Chilean model depended on making key microeconomic changes to promote business, investment and innovation. He commented that it wasn't until the FA came to power in 2005 that the GOU started making these changes.

INNOVATION IS KEY DRIVER OF THE ECONOMY

¶13. (SBU) Garcia cited GOU efforts to strengthen agencies involved in investment promotion, the creation of the National Development Corporation to promote significant investment projects and the National Research and Innovation Agency (ANII) as critical building blocks for economic success. "The Frente Amplio understands that to effect social change, the money has to come from somewhere," Garcia said, "and innovation is the driver."

CAPITAL MARKETS

14. (C) Minister Garcia also shared his thoughts on capital markets ahead of a planned public-private sector policy meeting planned for the next day. Garcia mapped out the key pillars of his strategy to develop capital markets in Uruguay. First is passage of a draft capital markets law currently pending before the Parliament. This new law would create an inter-ministerial body to advise the President on promotion of capital markets and also includes a full chapter on tax exemptions and credits directed at investors, exchanges, and listing companies. Second was the need to change the culture of entrenched traders who have a lock on the limited number of "safe" bond transactions, perhaps by reorganizing the national stock exchange.

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LISTING PUBLIC COMPANIES ON THE EXCHANGE
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15. (C) Finally, Garcia said developing interest among private sector and public sector companies to list stocks would be critical. He commended the efforts of the Embassy and former Ambassador Frank Baxter to encourage private businesses to consider listing. He also said that while privatizing Uruguay's state-owned companies would not likely be politically palatable in the near future, there were several independent subsidiaries of the state-owned companies that could be ideal candidates for partial listing. Among those, he mentioned state oil company ANCAP's distribution company, DUCSA S.A., its sugar and biofuels venture, ALUR and the state-owned telephone company ANTEL's call center. Garcia argued that a public listing of these companies would promote public sector reform and increase transparency. NOTE: Mujica E

publically supported the idea of public companies offering a portion of their shares to common citizens when he visited the stock market in July. The candidate called this a way to "socialize" state-owned companies and allow them to compete with banks as a savings instrument for the average Uruguayan.

END NOTE.

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TRAVEL TO WASHINGTON
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16. (SBU) Minister Garcia will accompany President Vazquez to Washington, but not New York. He will participate in a trade mission to Spain on the way to World Bank meetings in Istanbul in early October. President Vazquez will meet Senator Lugar, Representative Engel, Vice President of the World Bank Pamela Cox, and he has requested a meeting with the Secretary of State. The Uruguayan Embassy has also requested meetings for Minister Garcia and the Foreign Minister with senior officials at Commerce, State, Treasury and USTR.

Matthewman